HOUSE BILL No. 1697

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-4-39; IC 6-1.1-31-7.

Synopsis: Assessment of rental property. Applies the method used for property tax purposes to assess rental property with more than four units to rental property with four or fewer units.

Effective: January 1, 2007 (retroactive).

Smith M

January 26, 2007, read first time and referred to Committee on Ways and Means.

Introduced

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

HOUSE BILL No. 1697

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-1.1-4-39, AS AMENDED BY P.L.199-2005, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007 (RETROACTIVE)]: Sec. 39. (a) For assessment dates after February 28, ~~2005,~~ **2007,** except as provided in subsections ~~(c)~~ **(b)** and ~~(e),~~ **(d),** the true tax value of real property regularly used to rent or otherwise furnish residential accommodations for periods of thirty (30) days or more ~~and that has more than four (4) rental units~~ is the lowest valuation determined by applying each of the following appraisal approaches:

(1) Cost approach that includes an estimated reproduction or replacement cost of buildings and land improvements as of the date of valuation together with estimates of the losses in value that have taken place due to wear and tear, design and plan, or neighborhood influences.

(2) Sales comparison approach, using data for generally comparable property.

(3) Income capitalization approach, using an applicable

capitalization method and appropriate capitalization rates that are developed and used in computations that lead to an indication of value commensurate with the risks for the subject property use.

~~(b) The gross rent multiplier method is the preferred method of valuing:~~

~~(1) real property that has at least one (1) and not more than four (4) rental units; and~~

~~(2) mobile homes assessed under IC 6-1.1-7.~~

~~(c)~~ **(b)** A township assessor is not required to appraise real property referred to in subsection (a) using the three (3) appraisal approaches listed in subsection (a) if the township assessor and the taxpayer agree before notice of the assessment is given to the taxpayer under section 22 of this chapter to the determination of the true tax value of the property by the assessor using one (1) of those appraisal approaches.

~~(d)~~ **(c)** To carry out this section, the department of local government finance may adopt rules for assessors to use in gathering and processing information for the application of the income capitalization method. ~~and the gross rent multiplier method.~~ A taxpayer must verify under penalties for perjury any information provided to the assessor for use in the application of either method.

~~(e)~~ **(d)** The true tax value of low income rental property (as defined in section 41 of this chapter) is not determined under subsection (a). The assessment method prescribed in section 41 of this chapter is the exclusive method for assessment of that property. This subsection does not impede any rights to appeal an assessment.

SECTION 2. IC 6-1.1-31-7, AS AMENDED BY P.L.214-2005, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007 (RETROACTIVE)]: Sec. 7. (a) With respect to the assessment of personal property, the rules of the department of local government finance shall provide for the classification of personal property on the basis of:

(1) date of purchase;

(2) location;

(3) use;

(4) depreciation, obsolescence, and condition; and

(5) any other factor that the department determines by rule is just and proper.

(b) With respect to the assessment of personal property, the rules of the department of local government finance shall include instructions for determining:

(1) the proper classification of personal property;

(2) the effect that location has on the value of personal property;

(3) the cost of reproducing personal property;

(4) the depreciation, including physical deterioration and obsolescence, of personal property;

(5) the productivity or earning capacity of mobile homes regularly used to rent or otherwise furnish residential accommodations for periods of thirty (30) days or more;

(6) the true tax value of mobile homes assessed under IC 6-1.1-7 (other than mobile homes subject to ~~the preferred valuation method~~ **assessment** under ~~IC 6-1.1-4-39(b))~~ **IC 6-1.1-4-39)** as the least of the values determined using the following:

(A) The National Automobile Dealers Association Guide.

(B) The purchase price of a mobile home if:

(i) the sale is of a commercial enterprise nature; and

(ii) the buyer and seller are not related by blood or marriage.

(C) Sales data for generally comparable mobile homes;

(7) the true tax value at the time of acquisition of computer application software, for the purpose of deducting the value of computer application software from the acquisition cost of tangible personal property whenever the value of the tangible personal property that is recorded on the taxpayer's books and records reflects the value of the computer application software; and

(8) the true tax value of personal property based on the factors listed in this subsection and any other factor that the department determines by rule is just and proper.

(c) In providing for the classification of personal property and the instructions for determining the items listed in subsection (b), the department of local government finance shall not include the value of land as a cost of producing tangible personal property subject to assessment.

(d) With respect to the assessment of personal property, true tax value does not mean fair market value. Subject to this article, true tax value is the value determined under rules of the department of local government finance.

SECTION 3. [EFFECTIVE JANUARY 1, 2007 (RETROACTIVE)] **The department of local government finance may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-1.1-4-39 and IC 6-1.1-31-7, both as amended by this act. A temporary rule adopted under this SECTION expires on the earliest of the following:**

(1) The date specified in the temporary rule.

(2) The date that the temporary rule is repealed or superseded

by a later adopted temporary rule or a rule adopted under IC 4-22-2.

(3) January 1, 2009.

SECTION 4. **An emergency is declared for this act.**